

Message Text

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SUBJ COME BY CHANCE OIL REFINERY

REF 75 ST. JOHN'S 329

1. ON FRIDAY, FEB 13, NEWFOUNDLAND SUPREME COURT, AT REQUEST OF ATLANTIC TRADING CORPORATION OF DELAWARE (AN ATAKA AMERICA SUBSIDIARY), NAMED AN INTERIM RECEIVER TO PROTECT ATAKA'S STAKE IN COME BY CHANCE REFINERY. RECEIVER IS CLARKSON, GORDON AND CO., A CHARTERED ACCOUNTING COMPANY. ATLANTIC TRADING'S PETITION ALSO ASKED TO HAVE REFINERY'S OWNERS, PROVINCIAL REFINING COMPANY, A SHAHEEN NATURAL RESOURCES SUBSIDIARY, DECLARED BANKRUPT. HEARING ON PETITION IS SCHEDULED FOR MAR 8 IN NEWFOUNDLAND SUPREME COURT.

2. PROVINCIAL REFINING SPOKESMAN IN NYC CLAIMS COMPANY IS NOT IN DEFAULT AND THAT APPOINTMENT OF INTERIM RECEIVER IS IMPROPER. FURTHER SAID THAT PROVINCIAL REFINING WILL HOLD UNCLASSIFIED

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ATLANTIC TRADING RESPONSIBLE FOR ANY LOSS OR DAMAGES

SUFFERED AS RESULT OF IMPROPER APPOINTMENT OF RECEIVER.
ANOTHER LAWSUIT FOR ESTIMATED DAMAGES OF DOLS 189 MILLION,
AGAINST PROCON (GREAT BRITAIN) LTD, IS ALSO THREATENED BY
PROVINCIAL REFINING FOR ALLEGED DEFECTIVE CONSTRUCTION.
PROCON'S COSTS OF CONSTRUCTION WERE DOLS 168 MILLION.

3. NEWFOUNDLAND'S OZYMANDIAS, EX-PREMIER JOEY SMALLWOOD
(WHO MADE ORIGINAL REFINERY DEAL WITH JOHN SHAHEEN), IS
CLAIMING THAT PRESENT SITUATION IS FAULT OF UK'S ECGD AND
PROVINCE OF NEWFOUNDLAND WHO REFUSED GRANT THIRD MORTGAGE
ON REFINERY TO ATAKA. THIS IS DISPUTED BY PROVINCIAL
FINANCE MINISTER, WILLIAM DOODY, WHO STATES THAT ATAKA
RECENTLY LOST INTEREST IN THIRD MORTGAGE WHEN IT RECEIVED
REPORT IT HAD COMMISSIONED FROM MORGAN, STANLEY OF NYC ON
FEASIBILITY OF TURNING REFINERY INTO A PROFITABLE OPERATION.

4. ALTHOUGH SOME VAGUE REFERENCES TO A POSSIBLE BUYER
OF REFINERY ARE BEING MADE BOTH BY PROVINCIAL REFINING
IN NYC AND BY PREMIER FRANK MOORES IN NEWFOUNDLAND,
PROVINCIAL MINISTER OF MINES AND ENERGY, JOHN CROSBIE,
TOLD ME THAT THERE IS NO BUYER IN SIGHT AND SHUT-DOWN
OF REFINERY IS VIRTUALLY CERTAIN WITHIN NEXT FEW WEEKS.
WHEN THIS HAPPENS, APPROX 400 TO 500 JOBS WILL BE LOST.
CROSBIE ALSO STATED THAT, WHILE IT TRUE THAT HYDROGEN
AND ISO-MAX UNITS AT REFINERY HAVE NEVER WORKED PROPERLY,
THERE IS SOME SORT OF PROVISION IN PROCON'S CONTRACT
WHICH LIMITS COMPANY'S LIABILITY FOR DEFECTIVE EQUIPMENT
TO MAXIMUM OF DOLS 500,000. HE THEREFORE VIEWS THREAT
OF DOLS 189 MILLION LAWSUIT AS NONSENSE.

5. COMMENT: PROVINCIAL OFFICIALS ARE AWARE THAT COME
BY CHANCE IS A COMPLETE DEBACLE BUT ARE TRYING TO PUT
BEST FACE ON MESS BY PUBLIC SELF-CONGRATULATIONS FOR
WISDOM OF PROVINCIAL GOVT IN LIMITING ITS LIABILITY
WHEN IT REMOVED REFINERY'S FORMER CROWN CORPORATION
STATUS. THEY ARE CLAIMING THAT, SINCE VALUE OF REFINERY
FAR EXCEEDS AMOUNTS OWED FIRST AND SECOND MORTGAGE-
HOLDERS, THE PROVINCE'S MONEY IS SAFE. WHETHER THIS
TRUE, OF COURSE, WILL ONLY BE KNOWN WHEN AND IF A
PROSPECTIVE BUYER APPEARS. IN VIEW OF PRESENT
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WORLD-WIDE SURPLUS OF REFINING CAPACITY, THE MORTGAGE-
HOLDERS MAY HAVE A LONG WAIT.
MOORE

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